

**NEGAUNEE TOWNSHIP**

MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2005

Michigan Department of Treasury  
496 (2-04)

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>NEGAUNEE TOWNSHIP</b>	County <b>MARQUETTE</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/22/05</b>	Date Accountant Report Submitted to State: <b>9/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

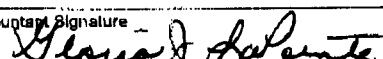
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>COWELL &amp; LAPOINTE, PC</b>			
Street Address <b>101 S. FRONT ST., STE. 309</b>	City <b>MARQUETTE</b>	State <b>MI</b>	ZIP <b>49855</b>
Accountant Signature 		Date <b>9/30/05</b>	

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## **TOWNSHIP OF NEGAUNEE, MICHIGAN**

### **Management's Discussion and Analysis**

Our discussion and analysis of the Township of Negaunee, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The Township's net assets are being reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years comparative information will be presented in various schedules throughout the Management Discussion and Analysis.
- Net Assets for the Township as a whole increased by \$77,785 or 2.2% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$963,594 and revenues of \$902,820.
- The General Fund reported a net fund balance of \$128,284 as of March 31, 2005, a decrease of \$14,333 from the April 1, 2004 fund balance of \$142,617.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

#### **TOWNSHIP AS A WHOLE**

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

**NEGAUNEE TOWNSHIP**  
**Management's Discussion and Analysis - Continued**

**Negaunee Township Total Net Assets – Governmental and Business-Type Activities**

(In 000's)	Governmental Activities <u>As of 3/31/05 .</u>	Business-Type Activities <u>As of 3/31/05</u>	Total <u>As of 3/31/05</u>
Current Assets	\$ 892	\$ 243	\$1,135
Noncurrent Assets	<u>1,303</u>	<u>2,511</u>	<u>3,814</u>
Total Assets	<u>\$2,195</u>	<u>\$2,754</u>	<u>\$4,949</u>
Long-Term Debt Outstanding	\$1,078	\$ 269	\$1,347
Other Liabilities	<u>50</u>	<u>13</u>	<u>63</u>
Total Liabilities	<u>\$1,128</u>	<u>\$ 282</u>	<u>\$1,410</u>
Net Assets			
Invested in Capital Assets			
– Net of Related Debt	\$ 538	\$2,218	\$2,756
Restricted		71	71
Unrestricted	<u>529</u>	<u>183</u>	<u>712</u>
Total Net Assets	<u>\$1,067</u>	<u>\$2,472</u>	<u>\$3,539</u>

Total Net Assets stood at \$3,538,593 as of fiscal year end March 31, 2005, while Total Liabilities stood at \$1,409,203.

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2005. Because Negaunee Township's net assets are being reported for the first time under GASB 34, no comparative information for prior years is available.

**Negaunee Township - Change in Net Assets**

(In 000's)	Governmental Activities <u>As of 3/31/05 .</u>	Business-Type Activities <u>As of 3/31/05 .</u>	Total <u>As of 3/31/05</u>
Program Revenues			
Charges for Services	\$ 5	\$533	\$ 538
Operating Grants and Contributions	140	6	146
Capital Grants and Contributions	10		10

**NEGAUNEE TOWNSHIP****Management's Discussion and Analysis - Continued****Negaunee Township Total Net Assets – Governmental and Business-Type Activities - Continued**

(In 000's)

	Governmental Activities <u>As of 3/31/05</u>	Business-Type Activities <u>As of 3/31/05</u>	Total <u>As of 3/31/05</u>
Program Revenues - Continued			
Property Taxes	\$493	\$	\$ 493
Licenses and Permits	7		7
State-Shared Revenues	210		210
Interest Earnings	4	3	7
Rentals	14		14
Miscellaneous	<u>30</u>	<u>.</u>	<u>30</u>
Total Revenues	<u>913</u>	<u>542</u>	<u>1,455</u>
Program Expenses			
General Government	402		402
Public Safety	142		142
Public Works	136		136
Community and Economic	38		38
Development			
Recreation and Culture	12		12
Interest on Long-Term Debt	61		61
Water		246	246
Solid Waste Disposal	<u>.</u>	<u>340</u>	<u>340</u>
Total Expenses	<u>791</u>	<u>586</u>	<u>1,377</u>
Change in Net Assets	<u>\$122</u>	<u>\$(44)</u>	<u>\$ 78</u>

The Township's net assets continue to remain healthy. With new residents moving into the Township either through the sale of homes or new construction, it is anticipated revenue from governmental activities and business-type activities will increase in the future.

**GOVERNMENTAL ACTIVITIES**

The net assets for the Township's governmental activities increased by \$122,117 for the year ended March 31, 2005. Total revenues from governmental activities were \$912,516, while total expenses were \$790,399.

## **NEGAUNEE TOWNSHIP**

### **Management's Discussion and Analysis - Continued**

#### **BUSINESS-TYPE ACTIVITIES**

Negaunee Township's business-type activities consist of the Water Fund and the Solid Waste Fund.

The Township provides water to more than 400 Township residences and businesses. Individuals are charged for the service based on total water consumption. Revenues from water sales, grants and other revenue totaled \$191,326, while expenses incurred were \$229,491, resulting in an operating loss of (\$38,165). The loss balance includes depreciation expense of \$96,500.

The Solid Waste Fund provides for the disposal of solid waste. More than 1,100 Township residences are billed quarterly for the service, while other Township residents can dispose of waste based on tonnage. Tipping Fees and quarterly invoices generated revenues of \$348,171 while expenditures incurred were \$339,889, resulting in operating income of \$8,282.

#### **TOWNSHIP FUNDS**

As the Township of Negaunee, Michigan completed the fiscal year as of March 31, 2005, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$855,437, an increase of \$62,387 from April 1, 2004. Although the General Fund reported a net operating loss of (\$14,333) the Community Building Fund, Fire Fund, Road Fund and the combined total of all other Nonmajor Governmental Funds reported excess revenues over expenditures totaling \$76,720.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The amendments resulted in a net increase of \$0. However, actual expenditures were \$14,333 greater than revenues.

Despite the budget amendment variances to the General Fund budget took place. The main variances were due to the grants and expenses incurred with the establishment of a proposed Casino within Negaunee Township and work performed pertaining to possible infrastructure to the facility.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

As of March 31, 2005, the Township of Negaunee, Michigan had \$3,813,742 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment), infrastructure (including water lines) and equity in the Marquette County Solid Waste Management Authority. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Negaunee Township, but rather they are the property of the Marquette County Road Commission.



## NEGAUNEE TOWNSHIP

### Management's Discussion and Analysis - Continued

#### CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

##### Negaunee Township Capital Assets as of 3/31/05 (Net of Depreciation)

(In 000's)	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Capital Assets</u>
Capital Assets			
Land	\$ 56	\$ 35	\$ 91
Construction in Progress - Infrastructure	133	2,336	2,469
Equity In Marquette County Solid Waste Management Authority	61		61
Buildings	718	84	802
Machinery and Equipment	<u>335</u>	<u>56</u>	<u>391</u>
Governmental Activities Total Capital Assets (Net of Depreciation)	<u>\$1,303</u>	<u>\$2,511</u>	<u>\$3,814</u>

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Cuts to Michigan State Revenue Sharing are of considerable concern to Negaunee Township. With decreased funds the Township continues to watch its budget very closely.

In preparing the 2005-2006 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. Every attempt has been made to develop a realistic budget from both the revenue and expense perspective.

The Water Fund and Solid Waste Fund operate as proprietary funds. In order to prevent net operating losses from occurring, the Board will continue to monitor these funds for potential rate increases to offset any perceived budget shortfalls.

#### CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of Negaunee Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Negaunee Township  
35 East M-35  
Negaunee, MI 49866  
(906) 475-7869

Board of Trustees  
Negaunee Township  
Marquette County, Michigan

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Negaunee Township, as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2005, on our consideration of Negaunee Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT – Continued

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 38 to 46 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Negaunee Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cowell & LaPointe, PC*  
Certified Public Accountants  
Marquette, Michigan

June 22, 2005

Board of Trustees  
Negaunee Township  
Marquette County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township as of and for the year ended March 31, 2005, which collectively comprise Negaunee Township's basic financial statements and have issued our report thereon dated June 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Negaunee Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### COMPLIANCE

As part of obtaining reasonable assurance about whether Negaunee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Negaunee Township in a separate letter dated June 22, 2005.

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

This report is intended for the information of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Cowell & Roberts PC*  
Certified Public Accountants  
Marquette, Michigan

June 22, 2005

# NEGAUNEE TOWNSHIP

## STATEMENT OF NET ASSETS March 31, 2005

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash on hand and in bank	\$ 633,755	\$ 284,338	\$ 918,093
Certificates of deposit	101,264	46,103	147,367
Receivables:			
Accounts	3,560	17,050	20,610
Interest	418	68	486
Taxes	37,805		37,805
Interfund	106,602	(106,602)	
Due from other governmental units	8,103	1,590	9,693
Capital assets - net	1,303,075	2,510,667	3,813,742
<b>Total assets</b>	<b>\$ 2,194,582</b>	<b>\$ 2,753,214</b>	<b>\$ 4,947,796</b>
<b>Liabilities</b>			
Accounts payable	\$ 19,534	\$ 14,283	\$ 33,817
Security deposits payable	3,227		3,227
Interest payable	16,003	4,172	20,175
Interfund payable	5,314	(5,314)	
Due to other governmental units	5,667		5,667
Long-term liabilities			
Due within one year-			
Bonds and notes payable	144,384	35,000	179,384
Due in more than one year-			
Compensated absences	12,877	3,322	16,199
Bonds and notes payable	920,659	230,075	1,150,734
<b>Total liabilities</b>	<b>1,127,665</b>	<b>281,538</b>	<b>1,409,203</b>
<b>Net assets</b>			
Investment in capital assets - net of related debt	538,048	2,217,579	2,755,627
Restricted for:			
Capital projects			
Debt service		71,319	71,319
Other purposes			
Unrestricted	528,869	182,778	711,647
<b>Total net assets</b>	<b>1,066,917</b>	<b>2,471,676</b>	<b>3,538,593</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,194,582</b>	<b>\$ 2,753,214</b>	<b>\$ 4,947,796</b>

See accompanying notes to financial statements.

# NEGAUNEE TOWNSHIP

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 401,908	\$ 4,835	\$	\$ 10,032	\$ (387,041)	\$	\$ (387,041)
Public safety	141,738				(141,738)		(141,738)
Public works	135,966		139,800		3,834		3,834
Community and economic development	37,985				(37,985)		(37,985)
Recreation and culture	12,029				(12,029)		(12,029)
Interest on long-term debt	60,773				(60,773)		(60,773)
Total governmental activities	790,399	4,835	139,800	\$ 10,032	(635,732)		(635,732)
Business-type activities							
Water	246,541	184,999	6,327			(55,215)	(55,215)
Solid waste disposal	339,889	348,171				8,282	8,282
Total business-type activities	586,430	533,170	6,327			(46,933)	(46,933)
Total primary government	\$ 1,376,829	\$ 538,005	\$ 146,127	\$ 10,032	(635,732)	(46,933)	(682,665)
General revenues							
Property taxes					493,182		493,182
Licenses and permits					6,534		6,534
State-shared revenues					210,225		210,225
Interest earnings					4,525	2,601	7,126
Rentals					13,820		13,820
Miscellaneous					29,563		29,563
Total general revenues					757,849	2,601	760,450
Change in net assets					122,117	(44,332)	77,785
Net assets - April 1, 2004					944,800	2,516,008	3,460,808
Net assets - March 31, 2005					\$ 1,066,917	\$ 2,471,676	\$ 3,538,593

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>General</u>	<u>Community Building</u>	<u>Fire</u>	<u>Road</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<b>Assets</b>						
Cash on hand and in bank	\$ 41,371	\$ 240,073	\$ 128,861	\$ 149,847	\$ 73,603	\$ 633,755
Certificates of deposit			53,501	47,763		101,264
Receivables:						
Accounts	3,260					3,260
Interest			220	198		418
Taxes	7,600	10,859	13,667	5,679		37,805
Due from other funds	107,442				22,634	130,076
Due from other governmental units	6,337				1,766	8,103
<b>Total assets</b>	<u>\$ 166,010</u>	<u>\$ 250,932</u>	<u>\$ 196,249</u>	<u>\$ 203,487</u>	<u>\$ 98,003</u>	<u>\$ 914,681</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 8,728	\$ 3,563	\$ 6,488	\$ 755	\$	\$ 19,534
Security deposits payable		3,227				3,227
Due to other funds	22,634	16		106	5,732	28,488
Due to other governmental units	5,667					5,667
Deferred revenue	697	996	114	521		2,328
<b>Total liabilities</b>	<u>37,726</u>	<u>7,802</u>	<u>6,602</u>	<u>1,382</u>	<u>5,732</u>	<u>59,244</u>
<b>Fund balances</b>						
Reserved for						
Capital projects					22,634	22,634
Debt service					47,912	47,912
Other purposes		243,130	189,647	202,105	21,725	656,607
Unreserved	128,284					128,284
<b>Total fund balances</b>	<u>128,284</u>	<u>243,130</u>	<u>189,647</u>	<u>202,105</u>	<u>92,271</u>	<u>855,437</u>
<b>Total liabilities and fund balances</b>	<u>\$ 166,010</u>	<u>\$ 250,932</u>	<u>\$ 196,249</u>	<u>\$ 203,487</u>	<u>\$ 98,003</u>	<u>\$ 914,681</u>

See accompanying notes to financial statements.



**NEGAUNEE TOWNSHIP**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL NET ASSETS**

March 31, 2005

<b>Total Governmental Fund Balances</b>		<b>\$ 855,437</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	<b>\$ 1,734,825</b>	
Accumulated depreciation is	<u><b>(431,750)</b></u>	<b>1,303,075</b>
Deferred revenues that were earned in the current period are reported in the statement of net assets		<b>2,328</b>
Interest payable used in governmental activities are not payable from current resources and therefore, are not reported in the governmental funds		<b>(16,003)</b>
Long term liabilities that are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable		<b>(1,065,043)</b>
Compensated absences		<u><b>(12,877)</b></u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$ 1,066,917</u></u></b>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>General</u>	<u>Community Building</u>	<u>Fire</u>	<u>Road</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<b>Revenues</b>						
Taxes and penalties	\$ 116,462	\$ 129,711	\$ 164,577	\$ 67,843	\$ 14,925	\$ 493,518
Licenses and permits	6,534					6,534
State grants	209,717				508	210,225
Charges for services	4,835					4,835
Interest and rentals	83	15,052	1,055	1,733	422	18,345
Other revenue	<u>146,294</u>	<u>234</u>	<u>1,432</u>	<u>41</u>	<u>21,362</u>	<u>169,363</u>
<b>Total revenues</b>	<u>483,925</u>	<u>144,997</u>	<u>167,064</u>	<u>69,617</u>	<u>37,217</u>	<u>902,820</u>
<b>Expenditures</b>						
Current						
General government	223,042	78,709				301,751
Public safety	1,098		103,943		525	105,566
Public works	16,809			124,721		141,530
Community & economic development	26,975				598	27,573
Recreation and culture		6,784				6,784
Other	72,277	22,498	1,674			96,449
Capital outlay	113,653					113,653
Debt service	<u>44,404</u>		<u>48,371</u>	<u>46,375</u>	<u>31,138</u>	<u>170,288</u>
<b>Total expenditures</b>	<u>498,258</u>	<u>107,991</u>	<u>153,988</u>	<u>171,096</u>	<u>32,261</u>	<u>963,594</u>
<b>Excess of revenues over (under) expenditures</b>	(14,333)	37,006	13,076	(101,479)	4,956	(60,774)
<b>Other financing sources-</b>						
Note proceeds				<u>123,161</u>		<u>123,161</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	(14,333)	37,006	13,076	21,682	4,956	62,387
<b>Fund balance - April 1, 2004</b>	<u>142,617</u>	<u>206,124</u>	<u>176,571</u>	<u>180,423</u>	<u>87,315</u>	<u>793,050</u>
<b>Fund balance - March 31, 2005</b>	<u>\$ 128,284</u>	<u>\$ 243,130</u>	<u>\$ 189,647</u>	<u>\$ 202,105</u>	<u>\$ 92,271</u>	<u>\$ 855,437</u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005**

**Net Change in Fund Balances - Total Governmental Funds**

**\$ 62,387**

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation

Depreciation expense  
Capital outlay

\$ (65,122)	
<u>113,653</u>	48,531

Payments on note principal increases equity in fixed assets and  
reduces debt; this is reported in the governmental funds as  
service only

10,032

Accrued interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid

(16,003)

Payments of note principal is an expenditure in the governmental  
funds, but not in the statement of activities (where it reduces  
long-term debt)

125,518

Bond principal payment absorbed by Marquette County Solid Waste  
Management Authority included in the statement of activities

5,564

The issuance of debt provides current financial resources to governmental  
funds

(123,161)

Revenues are recorded in the statement of activities when  
earned; they are not reported in the funds until collected or  
or collectible within 60 days of year end

(336)

Decreases in compensated absences are reported as expenditures  
when financial resources are used in the governmental funds

9,585

**Change in Net Assets of Governmental Activities**

**\$ 122,117**

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
March 31, 2005

	Water Fund	Solid Waste Disposal Fund	Total
<b>Assets</b>			
Current assets			
Cash on hand and in bank	\$ 222,518	\$ 61,820	\$ 284,338
Certificates of deposit	43,399	2,704	46,103
Accounts receivable	12,132	4,918	17,050
Interest receivable	68		68
Due from other governmental units		1,590	1,590
Interfund receivables	243	5,071	5,314
Total current assets	<u>278,360</u>	<u>76,103</u>	<u>354,463</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>2,510,667</u>		<u>2,510,667</u>
Total assets	<u><u>\$ 2,789,027</u></u>	<u><u>\$ 76,103</u></u>	<u><u>\$ 2,865,130</u></u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,172	\$ 13,111	\$ 14,283
Interest payable	4,172		4,172
Interfund payables	106,602		106,602
Current portion of noncurrent liabilities	<u>35,000</u>		<u>35,000</u>
Total current liabilities	<u>146,946</u>	<u>13,111</u>	<u>160,057</u>
Noncurrent liabilities			
Compensated absences	3,073	249	3,322
Bonds payable	<u>218,000</u>	<u>12,075</u>	<u>230,075</u>
Total noncurrent liabilities	<u>221,073</u>	<u>12,324</u>	<u>233,397</u>
Total liabilities	<u>368,019</u>	<u>25,435</u>	<u>393,454</u>
<b>Net assets</b>			
Invested in capital assets--net of related debt	2,217,579		2,217,579
Contributed capital			
Restricted	45,001		45,001
Unrestricted	<u>158,428</u>	<u>50,668</u>	<u>209,096</u>
Total net assets	<u>2,421,008</u>	<u>50,668</u>	<u>2,471,676</u>
Total liabilities and net assets	<u><u>\$ 2,789,027</u></u>	<u><u>\$ 76,103</u></u>	<u><u>\$ 2,865,130</u></u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 145,298	\$	\$ 145,298
Garbage disposal services		348,171	348,171
Grants	6,327		6,327
Installation and other miscellaneous charges	<u>39,701</u>		<u>39,701</u>
Total operating revenues	191,326	348,171	539,497
<b>Operating expenses</b>			
Personal services	78,270	11,841	90,111
Professional and contractual services	12,441	324,156	336,597
Supplies	5,106	3,572	8,678
Insurance	5,587		5,587
Communications	2,761		2,761
Transportation	2,375	320	2,695
Repairs and maintenance	15,744		15,744
Utilities	8,191		8,191
Miscellaneous expenses	2,516		2,516
Depreciation	<u>96,500</u>		<u>96,500</u>
Total operating expenses	<u>229,491</u>	<u>339,889</u>	<u>569,380</u>
<b>Operating income (loss)</b>	(38,165)	8,282	(29,883)
<b>Nonoperating revenues (expenses)</b>			
Interest income	2,507	94	2,601
Interest expense	<u>(17,050)</u>		<u>(17,050)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(14,543)</u>	<u>94</u>	<u>(14,449)</u>
<b>Change in net assets</b>	(52,708)	8,376	(44,332)
<b>Total net assets - April 1, 2004</b>	<u>2,473,716</u>	<u>42,292</u>	<u>2,516,008</u>
<b>Total net assets - March 31, 2005</b>	<u><u>\$ 2,421,008</u></u>	<u><u>\$ 50,668</u></u>	<u><u>\$ 2,471,676</u></u>

See accompanying notes to financial statements.

# NEGAUNEE TOWNSHIP

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

	Water Fund	Solid Waste Disposal Fund	Total
<b>Cash flows from operating activities</b>			
Cash charges for services	\$ 185,873	\$ 484,990	\$ 670,863
Cash payments to employees for services and cash payments to suppliers for goods and services	(118,412)	(477,342)	(595,754)
Grants received for operations	6,327		6,327
<b>Net cash provided (used) by operating activities</b>	73,788	7,648	81,436
<b>Cash flows from capital and related financing activities</b>			
Payments on bonds	(43,000)		(43,000)
Purchase of fixed assets	(14,701)		(14,701)
Interest paid on bonds	(20,312)		(20,312)
<b>Net cash provided (used) by capital and related financing activities</b>	(78,013)		(78,013)
<b>Cash flows from investing activities</b>			
Interest income received	2,080	52	2,132
<b>Net cash provided (used) by investing activities</b>	2,080	52	2,132
<b>Net increase (decrease) in cash</b>	(2,145)	7,700	5,555
<b>Cash - April 1, 2004</b>	224,663	54,120	278,783
<b>Cash - March 31, 2005</b>	<u>\$ 222,518</u>	<u>\$ 61,820</u>	<u>\$ 284,338</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (38,165)	\$ 8,282	\$ (29,883)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	96,500		96,500
Changes in assets and liabilities:			
Decrease in accounts receivable	874	138,409	139,283
Decrease in due from other governmental units		282	282
(Increase) in interfund receivables	(378)	(1,872)	(2,250)
(Decrease) in accounts payable	(8,728)	(137,702)	(146,430)
Increase in interfund payables	20,612		20,612
Increase in compensated absences	3,073	249	3,322
<b>Net cash provided (used) by operating activities</b>	<u>\$ 73,788</u>	<u>\$ 7,648</u>	<u>\$ 81,436</u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Pension Trust Fund</u>	<u>Property Tax Collection Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$	\$ 300
Investments--mutual funds--at fair value	<u>95,153</u>	
Total assets	<u>\$ 95,153</u>	<u>\$ 300</u>
<b>Liabilities</b> -Due to other funds	\$	\$ 300
<b>Net assets</b>		
Held in trust for pension benefits	<u>95,153</u>	
Total liabilities and net assets	<u>\$ 95,153</u>	<u>\$ 300</u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Pension Trust Fund</u>
<b>Additions</b>	
Contributions	
Employer	\$ 9,279
Plan members	<u>3,900</u>
Total contributions	<u>13,179</u>
Investment income	
Net appreciation in fair value of instruments	4,434
Interest	<u>201</u>
Net investment income	<u>4,635</u>
Total additions	17,814
<b>Deductions-Administrative expenses</b>	<u>1,323</u>
Change in net assets	16,491
Net assets--April 1, 2004	<u>78,662</u>
Net assets--March 31, 2005	<u><u>\$ 95,153</u></u>

See accompanying notes to financial statements.



**NEGAUNEE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Negaunee Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township.

**Reporting Entity**

Negaunee Township is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Negaunee Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Building Fund accounts for the support and operation of the community center and Township recreation plan.

The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Road Fund accounts for maintenance and improvement to county roads within Negaunee Township.

Negaunee Township reports the following major proprietary funds:

The Water Fund accounts for the operating activities of the Township's water utilities services, including the repair and maintenance for its water distribution system.

The Solid Waste Disposal Fund accounts for the operating activities for the Township's solid waste disposal services.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's pension plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursements of delinquent taxes and deposits due to other units and individuals.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector standards.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water usage for fire hydrants and building use for office space. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation** - Continued

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

The Township property tax is levied, due, and becomes a lien each December 1<sup>st</sup> based on property values located in the Township as of the preceding December 31<sup>st</sup>. The Township collects property taxes through the last day of February in the succeeding year. On March 1 of the subsequent year, delinquent real taxes are returned to Marquette County for collection. Delinquent personal property taxes remain with the Township and are to be collected by the Treasurer.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Assets, Liabilities, and Net Assets or Equity - Continued

##### **Receivables and Payables** - Continued

The rate to finance general government services for the year ended March 31, 2005 was 1.2734 per \$1,000 of taxable valuation of \$72,529,561. Also, an additional 1.8193 per \$1,000 of taxable valuation was levied for community building operations, 2.50 per \$1,000 of real property taxable valuation of \$66,598,161 was levied for fire protection, and .9516 per \$1,000 taxable valuation was levied for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable—current or as tax revenue.

**Restricted Assets** - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Prepaid Costs** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and other additions	30 - 50 years
Machinery and other equipment	5 - 20 years
Water and sewer system	20 - 50 years

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Assets, Liabilities, and Net Assets or Equity - Continued**

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees, depending on their years of service, to accumulate 5 to 20 days of unused vacation. Additionally, the Township allows employees to accumulate sick leave of which the employee will be paid one-half of their accrued sick leave for up to 30 days upon employment termination. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at fiscal year end.

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

##### **Budgetary Information - Continued**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by resolution.
4. Any revision that alters the original budget of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original budget.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, Negaunee Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

##### Excess of Expenditures Over Appropriations in Budgeted Funds - Continued

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund:			
General government	\$241,300	\$253,982	\$<12,682>
Public Works	19,500	138,181	<118,681>
Community and economic development	27,630	32,720	<5,090>
Other	65,075	72,277	<7,202>
Special Revenue Funds:			
Road	65,353	171,096	<105,743>
Enterprise Funds:			
Solid waste disposal	128,350	339,889	<211,539>
Water	212,824	246,541	<33,717>
Debt Service Fund – no budget			

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

#### NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Negaunee Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.



## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE C - DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Act 20, PA 1943, is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$735,019	\$259,122	\$ 300	\$ 994,441
Restricted cash		71,319		71,319
Investments			<u>95,153</u>	<u>95,153</u>
Total	<u>\$735,019</u>	<u>\$330,441</u>	<u>\$95,453</u>	<u>\$1,160,913</u>

The breakdown between cash and investments is as follows:

Checking and savings accounts, Certificates of deposit	\$1,065,460
Investments in mutual funds	95,153
Petty cash and cash on hand	<u>300</u>
	<u>\$1,160,913</u>

The deposits of Negaunee Township were reflected in the accounts of bank deposits at \$1,095,191 of which \$243,399 was covered by federal depository insurance and \$851,792 was uninsured and uncollateralized. The mutual funds investments are not included in any category of credit risk.

# NEGAUNEE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

### NOTE D - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 56,312	\$	\$	\$ 56,312
Construction In Progress -Infrastructure	25,000	107,908		132,908
Equity in Marquette County Solid Waste Management Authority	<u>51,033</u>	<u>10,032</u>	<u>          </u>	<u>61,065</u>
Subtotal	<u>132,345</u>	<u>117,940</u>	<u>          </u>	<u>250,285</u>
Capital Assets Being Depreciated				
Buildings	1,003,021			1,003,021
Machinery and Equipment	<u>475,774</u>	<u>5,745</u>	<u>          </u>	<u>481,519</u>
Subtotal	<u>1,478,795</u>	<u>5,745</u>	<u>          </u>	<u>1,484,540</u>
Less Accumulated Depreciation for				
Buildings	260,265	25,226		285,491
Machinery and Equipment	<u>106,363</u>	<u>39,896</u>	<u>          </u>	<u>146,259</u>
Subtotal	<u>366,628</u>	<u>65,122</u>	<u>          </u>	<u>431,750</u>
Net Capital Assets Being Depreciated	<u>1,112,167</u>	<u>&lt;59,377&gt;</u>	<u>          </u>	<u>1,052,790</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$1,244,512</u>	<u>\$ 58,563</u>	<u>\$          </u>	<u>\$1,303,075</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 34,500	\$	\$	\$ 34,500
Infrastructure	<u>354,410</u>	<u>14,701</u>	<u>          </u>	<u>369,111</u>
Subtotal	<u>388,910</u>	<u>14,701</u>	<u>          </u>	<u>403,611</u>
Capital Assets Being Depreciated				
Buildings	89,198			89,198
Machinery and Equipment	115,903			115,903
Infrastructure	<u>3,117,435</u>	<u>          </u>	<u>          </u>	<u>3,117,435</u>
Subtotal	<u>3,322,536</u>	<u>          </u>	<u>          </u>	<u>3,322,536</u>
Less Accumulated Depreciation for				
Buildings	2,787	2,230		5,017
Machinery and Equipment	54,470	5,729		60,199
Infrastructure	<u>1,061,723</u>	<u>88,541</u>	<u>          </u>	<u>1,150,264</u>
Subtotal	<u>1,118,980</u>	<u>96,500</u>	<u>          </u>	<u>1,215,480</u>
Net Capital Assets Being Depreciated	<u>2,203,556</u>	<u>&lt;96,500&gt;</u>	<u>          </u>	<u>2,107,056</u>
Business-Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$2,592,466</u>	<u>\$&lt;81,799&gt;</u>	<u>\$          </u>	<u>\$2,510,667</u>

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2005, interfund balances are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$107,442	Brownfield	\$ 541
		Water	106,601
		Tax	<u>300</u>
			107,442
Capital Projects	22,634	General	22,634
Water	243	Building	17
		Debt service	120
		Road	<u>106</u>
			243
Sanitation	<u>5,071</u>	Debt service	<u>5,071</u>
Total	<u>\$135,390</u>	Total	<u>\$135,390</u>

#### NOTE F - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# NEGAUNEE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

### NOTE F – LONG-TERM DEBT - Continued

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2004	Issued	Retired	Balance March 31, 2005	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds:					
2002 Township hall addition bonds					
Amount of issue - \$450,000					
Maturity through 2028	\$ 440,000		\$ 10,000	\$ 430,000	\$ 10,000
Special Assessment bonds					
2001 Special Assessment					
Amount of issue - \$200,000					
Maturing through 2011	150,000		25,000	125,000	20,000
Marquette County Solid Waste Management Authority Bonds					
Amount of issue - \$73,523					
Additional - \$79,898					
Maturing through 2010	77,940		15,595	62,345	6,039
Installment purchase agreements:					
Pumper fire truck lease payable					
Amount of issue - \$200,850					
Maturing through 2012	166,444		17,598	148,846	18,447
2003 fire building note payable					
Amount of issue - \$202,695					
Maturing through 2015	202,695		16,514	186,181	15,620
County contractual obligations:					
Road improvement contracts					
Co. Rd. JG & JRE					
Amount of issue - \$102,042					
Maturing through 2005	35,885			35,885	35,885
Co. Rd. CR, JR & JRB					
Amount of issue - \$115,179					
Maturing through 2007		115,179	38,393	76,786	38,393
Total bond obligations	1,072,964	115,179	123,100	1,065,043	144,384
Other long-term obligations:					
Compensated absences	22,462	12,825	22,410	12,877	
Total governmental activities	<u>\$ 1,095,426</u>	<u>\$ 128,004</u>	<u>\$ 145,510</u>	<u>\$ 1,077,920</u>	<u>\$ 144,384</u>

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

#### NOTE F- LONG-TERM DEBT - Continued

	Balance April 1, 2004	Issued	Retired	Balance March 31, 2005	Due Within One Year
<b>Business-type activities</b>					
General revenue bonds:					
1989 Water revenue refunding bonds					
Amount of issue - \$550,000					
Maturing through 2010	\$ 250,000	\$	\$ 35,000	\$ 215,000	\$ 35,000
2002 Water tower improvement bonds					
Amount of issue - \$50,000					
Maturing through 2013	46,000		8,000	38,000	
Performance bond payable-matures 2007	12,075			12,075	
Total bonds payable	308,075		43,000	265,075	35,000
Other long-term obligations:					
Compensated absences		7,229	3,907	3,322	
Total business-type activities	<u>\$ 308,075</u>	<u>\$ 7,229</u>	<u>\$ 46,907</u>	<u>\$ 268,397</u>	<u>\$ 35,000</u>

#### NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees' injuries (workers' compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

#### NOTE H - EMPLOYEE RETIREMENT PLAN

**Plan Description** - The Township has a defined contribution retirement plan covered under Code Sec. 401(k) of the IRS Code through Manufacturers Life Insurance Company that covers all employees at least 18 years of age.

**Funding Policy** - The contribution due each year is as follows:

- Employer contributions are 3% of covered employees compensation.
- Employee contributions will be \$390 per plan year.
- Any full-time employee not receiving health benefits will receive an employer contribution.
- Employees are also entitled to make additional voluntary after tax contributions of up to 10% of annual compensation.
- Total annual employer and employee contributions may not exceed 25% of compensation or \$41,000.

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE H – EMPLOYEE RETIREMENT PLAN - Continued**

##### **Funding Policy - Continued**

The Township's contribution for all funds was \$9,279 and the employees' contribution was \$3,900 for the year ended March 31, 2005.

Manufacturers Life issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Manufacturers Life Insurance Company, P.O. Box 600, Buffalo, NY 14201-0600.

#### **NOTE I - DEFERRED COMPENSATION PLAN**

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Negaunee Township's financial statements.

#### **NOTE J - PENDING CLAIMS**

There are three pending claims in the Michigan Tax Tribunal against Negaunee Township by utility providers. These claims challenge the assessments of the utilities' properties for 1998, 1999, 2000, 2001, 2002 and 2003. If the method of assessing the utilities' personal properties is changed to favor the utilities Negaunee Township will have to pay back approximately \$13,500 in taxes and administration fees.

#### **NOTE K - JOINT VENTURE**

##### **Marquette County Solid Waste Management Authority**

During 1988, Negaunee Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE K - JOINT VENTURE - Continued**

##### **Marquette County Solid Waste Management Authority - Continued**

pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, and conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's pro-rata share (based on population) of assets, liabilities, and fund equity is 4.2 percent. Summary financial information as of and for the fiscal year ended June 30, 2004, is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Equity	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Other Revenue (Expenses)	(101,265)
Change In Net Assets	1,033,247
Total Joint Venture's Outstanding Long-Term Debt	1,826,494

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE K- JOINT VENTURE - Continued**

##### **Marquette County Solid Waste Management Authority - Continued**

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$26,111 outstanding at March 31, 2005 at a variable interest rate for 20 years. The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. For the year ending March 31, 2005 interest of \$3,432 and principal of \$10,032 is included as sanitation costs in the General Fund.

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. Principal and interest of \$8,263 were absorbed by the Authority on these bonds for the year ending March 31, 2005 and the outstanding balance is \$36,234 at March 31, 2005. The Authority will also be absorbing the bond payment of \$8,412 for the year ending March 31, 2006. Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at P.O. Box 936, Marquette, MI 49855.

The Township has included their equity interest of the Authority in the Net Assets on the Statement of Net Assets.

#### **NOTE L - SUBSEQUENT EVENTS**

Negaunee Township has contracted with the City of Negaunee to hook up with their sewer system to provide sewer services for the potential KBIC development. It includes a ten year contract with an option to renew for another ten years, a \$325,000 one time hook up fee which will be covered by the KBIC, and all system improvements from the City of Negaunee limits to Maple Street connection will be the Township's responsibility. Once the system is operational, all sewer line and pump stations east of the Negaunee City limits will be owned and maintained by Negaunee Township. An engineering agreement was approved contingent upon KBIC funding to cover the engineering charges.



## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2005**

#### **NOTE L - SUBSEQUENT EVENTS - Continued**

Construction for a Hardwood Lane Water Main Expansion was approved for approximately \$132,000. This will be a special assessment project with bonding that will be obtained for \$105,000 of the cost.

Road construction agreements were signed with the Marquette County Road Commission for future road improvements. Construction started in 2005 on North Road (CR JA) and is expected to cost the Township approximately \$259,920 over five years plus interest at 5.5 percent. Construction also began in 2005 on Hardwood Lane and is expected to cost \$12,447 for one year plus interest at 5.5 percent.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION**

**FIRE FUND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 153,708	\$ 153,708	\$ 163,453	\$ (9,745)
Delinquent property			66	(66)
Commercial forest	500	500	1,054	(554)
Penalties and interest			4	(4)
Total taxes and penalties	154,208	154,208	164,577	(10,369)
Interest income	2,000	2,000	1,055	945
Miscellaneous			1,432	(1,432)
<b>Total revenues</b>	<u>156,208</u>	<u>156,208</u>	<u>167,064</u>	<u>(10,856)</u>
<b>Expenditures</b>				
Fire wages	30,000	19,785	19,785	
Custodian wages	1,750	1,750	1,471	279
Training	6,000	6,000	1,749	4,251
Office supplies	1,000	1,000	259	741
EMS supplies			2,575	(2,575)
Operational supplies	6,715	19,930	26,160	(6,230)
Hydrant	30,741	30,741	30,741	
Membership fees	300	300	696	(396)
Telephone	1,200	1,200	800	400
Pagers	500	500		500
Insurance	9,500	9,500	8,831	669
Fuel	750	750	356	394
Mileage	250	250	335	(85)
Marching/parades	1,000	1,000	1,076	(76)
Promotion	2,000	2,000	1,609	391
Utilities	4,000	4,000	4,598	(598)
Maintenance/repairs	1,500	1,500	2,033	(533)
Building interest	12,000	6,450	6,405	45
Building principal	11,000	16,550	16,514	36
Fire truck principal and interest	25,452	25,452	25,452	
Capital outlay	5,500	2,500		2,500
Miscellaneous			869	(869)
Social security	2,000	2,000	1,625	375
Unemployment	500	500	3	497
Retirement	50	50	46	4
Hospitalization	500	500		500
Medical	2,000	2,000		2,000
<b>Total expenditures</b>	<u>156,208</u>	<u>156,208</u>	<u>153,988</u>	<u>2,220</u>
<b>Excess of revenues (expenditures)</b>	<u>\$</u>	<u>\$</u>	<u>\$ 13,076</u>	<u>\$ (13,076)</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
COMMUNITY BUILDING FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 120,000	\$ 120,000	\$ 128,759	\$ (8,759)
Delinquent property	200	200	173	27
Commercial forest			768	(768)
Penalties and interest			11	(11)
Total taxes and penalties	120,200	120,200	129,711	(9,511)
Interest and rentals				
Interest income	500	500	1,232	(732)
Rental income	10,000	10,000	11,420	(1,420)
Office rent	2,400	2,400	2,400	
Total interest and rentals	12,900	12,900	15,052	(2,152)
Other revenue				
Soda machine	400	400	204	196
Miscellaneous			30	(30)
Total other revenue	400	400	234	166
<b>Total revenues</b>	<u>133,500</u>	<u>133,500</u>	<u>144,997</u>	<u>(11,497)</u>
<b>Expenditures</b>				
Building and grounds				
Custodian wages	18,000	18,000	15,786	2,214
Secretarial wages	3,100	3,100	2,829	271
Groundskeeping wages	18,000	18,000	15,774	2,226
Operational supplies	5,000	5,000	14,845	(9,845)
Inspection fees	350	350	348	2
Building insurance	8,000	8,000	7,538	462
Utilities	14,000	14,000	13,511	489
Building maintenance	4,500	4,500	3,796	704
Lawn maintenance	4,000	4,000	1,600	2,400
Truck repair/maintenance	500	1,000	1,043	(43)
Small equipment repair	1,400	1,400	855	545
Special projects	150	150	784	(634)
Capital outlay	26,000	25,500		25,500
Total building and grounds	<u>103,000</u>	<u>103,000</u>	<u>78,709</u>	<u>24,291</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
COMMUNITY BUILDING FUND  
BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (Continued)</b>				
Recreation and culture				
Recreation wages	\$ 3,000	\$ 3,000	\$ 4,043	\$ (1,043)
Recreation supplies	3,000	3,000	1,741	1,259
Outside recreational services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Total recreation and culture	<u>7,000</u>	<u>7,000</u>	<u>6,784</u>	<u>216</u>
Other				
Social security tax	3,700	3,700	2,903	797
Unemployment	300	300	145	155
Retirement	1,500	1,500	1,625	(125)
Hospitalization insurance	18,000	18,000	17,809	191
Miscellaneous	<u>          </u>	<u>          </u>	<u>16</u>	<u>(16)</u>
Total other	<u>23,500</u>	<u>23,500</u>	<u>22,498</u>	<u>1,002</u>
<b>Total expenditures</b>	<u>133,500</u>	<u>133,500</u>	<u>107,991</u>	<u>25,509</u>
<b>Excess of revenues (expenditures)</b>	<u>\$</u>	<u>\$</u>	<u>\$ 37,006</u>	<u>\$ (37,006)</u>

**NEGAUNEE TOWNSHIP**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 85,755	\$ 85,755	\$ 90,120	\$ (4,365)
Delinquent property	8,000	8,000	119	7,881
Commercial forest	8,000	8,000	537	7,463
Penalties and interest	1,500	1,500	768	732
Administration fee	20,000	20,000	24,918	(4,918)
Total taxes and penalties	123,255	123,255	116,462	6,793
Licenses and permits	5,000	6,000	6,534	(534)
State grants				
State revenue sharing	209,800	209,800	205,368	4,432
State right of way fee	1,800	4,345	4,349	(4)
Total state grants	211,600	214,145	209,717	4,428
Charges for services				
School tax fee	6,000	6,000	4,835	1,165
Trailer court fees	500	500		500
Total charges for services	6,500	6,500	4,835	1,665
Interest and rentals				
Interest income	2,500	500	83	417
Interest income tax fund	1,000	100		100
Total interest and rentals	3,500	600	83	517
Other revenue				
Other reimbursements	200	200		200
Over/short	25	25	1	24
Miscellaneous income	5,000	4,355	6,493	(2,138)
Local grants			139,800	(139,800)
Total other revenue	5,225	4,580	146,294	(141,714)
<b>Total revenues</b>	<b>\$ 355,080</b>	<b>\$ 355,080</b>	<b>\$ 483,925</b>	<b>\$ (128,845)</b>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2005**

<b>Expenditures</b>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>GENERAL GOVERNMENT</b>				
Legislative				
Board salaries and wages	\$ 8,400	\$ 8,400	\$ 8,400	\$
Building/rec committee wages	300	450	420	30
Publishing	750	2,250	2,609	(359)
Miscellaneous	250	750	737	13
Senior citizens	1,000	1,000	536	464
Special projects			5,152	(5,152)
Total legislative	<u>10,700</u>	<u>12,850</u>	<u>17,854</u>	<u>(5,004)</u>
Supervisor				
Salary	16,000	16,000	16,000	
Mileage	500	650	626	24
Miscellaneous		500	1,018	(518)
Total supervisor	<u>16,500</u>	<u>17,150</u>	<u>17,644</u>	<u>(494)</u>
Elections	<u>1,500</u>	<u>3,800</u>	<u>3,826</u>	<u>(26)</u>
Assessor				
Salary	24,000	24,000	24,000	
Assistant salary	19,725	18,725	19,470	(745)
Supplies	7,000	4,400	6,092	(1,692)
Telephone	1,500	1,800	2,395	(595)
Mileage	200	150	95	55
Total assessor	<u>52,425</u>	<u>49,075</u>	<u>52,052</u>	<u>(2,977)</u>
Attorney				
Fees	4,000	4,000	5,625	(1,625)
Court fees	350	100		100
Total attorney	<u>4,350</u>	<u>4,100</u>	<u>5,625</u>	<u>(1,525)</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (Continued)</b>				
<b>GENERAL GOVERNMENT (Continued)</b>				
Clerk				
Salary	\$ 15,000	\$ 15,000	\$ 15,000	\$
Deputy clerk salary	4,750	3,500	3,375	125
Mileage	50	25		25
Total clerk	<u>19,800</u>	<u>18,525</u>	<u>18,375</u>	<u>150</u>
Board of review-wages	<u>2,000</u>	<u>500</u>	<u>210</u>	<u>290</u>
Treasurer				
Salary	15,000	15,000	15,000	
Deputy treasurer salary	13,150	13,150	13,516	(366)
Summer tax	1,200	585	183	402
Winter tax	1,200	815	829	(14)
Telephone	500	600	766	(166)
Mileage	300	300	271	29
Total treasurer	<u>31,350</u>	<u>30,450</u>	<u>30,565</u>	<u>(115)</u>
Building and grounds				
Custodian	6,825	6,825	8,000	(1,175)
Groundskeeping	6,825	5,825	6,867	(1,042)
Office lights	1,500	1,500	1,547	(47)
Repairs and maintenance	500	500	546	(46)
Heat	2,000	2,400	2,510	(110)
Debt service-principal	10,000	10,000	10,000	
-interest	<u>21,500</u>	<u>20,950</u>	<u>20,940</u>	<u>10</u>
Total building and grounds	<u>49,150</u>	<u>48,000</u>	<u>50,410</u>	<u>(2,410)</u>



**NEGAUNEE TOWNSHIP**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2005

<b>Expenditures (continued)</b>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>GENERAL GOVERNMENT (Continued)</b>				
Other				
Personnel committee	\$	\$	\$ 70	\$ (70)
Dues/subscriptions	5,000	5,000	4,955	45
Audit	6,700	6,850	6,830	20
Service charges	100	350	315	35
Office wages	29,100	28,075	28,923	(848)
Supplies	3,000	3,000	3,100	(100)
Service contract/lease	1,500	1,500	650	850
Telephone	2,750	2,750	3,771	(1,021)
Postage	3,000	3,000	3,641	(641)
Mailings	1,200	1,200		1,200
Internet	650	650	683	(33)
Mileage			24	(24)
Rent	2,400	2,400	2,400	
Miscellaneous	500	500	230	270
Computer expense	500	1,575	1,829	(254)
Total other	56,400	56,850	57,421	(571)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>244,175</b>	<b>241,300</b>	<b>253,982</b>	<b>(12,682)</b>
<b>PUBLIC SAFETY-Animal control</b>	<b>1,000</b>	<b>1,575</b>	<b>1,098</b>	<b>477</b>
<b>PUBLIC WORKS</b>				
Sanitation				
Debt service-principal	7,500	7,500	10,032	(2,532)
-interest			3,432	(3,432)
Bond costs			520	(520)
Capital outlay-sewer			107,908	(107,908)
Special projects			4,000	(4,000)
Total sanitation	7,500	7,500	125,892	(118,392)
Street lighting	12,000	12,000	12,289	(289)
<b>TOTAL PUBLIC WORKS</b>	<b>19,500</b>	<b>19,500</b>	<b>138,181</b>	<b>(118,681)</b>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (continued)</b>				
<b>COMMUNITY AND ECONOMIC DEVELOPMENT--</b>				
Planning commission				
Wages	\$ 3,000	\$ 3,000	\$ 3,350	\$ (350)
Project manager wages	23,200	23,200	21,871	1,329
Miscellaneous	200	1,300	1,754	(454)
Capital outlay	<u>2,630</u>	<u>130</u>	<u>5,745</u>	<u>(5,615)</u>
 <b>TOTAL COMMUNITY AND ECONOMIC     DEVELOPMENT</b>	 <u>29,030</u>	 <u>27,630</u>	 <u>32,720</u>	 <u>(5,090)</u>
 <b>OTHER</b>				
Social security and medicare	12,500	12,000	11,981	19
Unemployment	675	575		575
Retirement	5,200	6,000	6,786	(786)
Hospitalization	35,000	39,000	46,183	(7,183)
Insurance and bonds	<u>8,000</u>	<u>7,500</u>	<u>7,327</u>	<u>173</u>
 <b>Total other</b>	 <u>61,375</u>	 <u>65,075</u>	 <u>72,277</u>	 <u>(7,202)</u>
 <b>Total expenditures</b>	 <u>355,080</u>	 <u>355,080</u>	 <u>498,258</u>	 <u>(143,178)</u>
 <b>Excess of revenues (expenditures)</b>	 <u>\$</u>	 <u>\$</u>	 <u>\$ (14,333)</u>	 <u>\$ 14,333</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
ROAD FUND**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 64,088	\$ 64,088	\$ 67,344	\$ (3,256)
Delinquent property	50	50	91	(41)
Commercial forest			402	(402)
Penalties and interest	15	15	6	9
	<u>64,153</u>	<u>64,153</u>	<u>67,843</u>	<u>(3,690)</u>
Total taxes and penalties				
Interest income	1,200	1,200	1,733	(533)
Miscellaneous			41	(41)
	<u>65,353</u>	<u>65,353</u>	<u>69,617</u>	<u>(4,264)</u>
<b>Total revenues</b>				
	<u>65,353</u>	<u>65,353</u>	<u>69,617</u>	<u>(4,264)</u>
<b>Expenditures</b>				
Roads	65,053	65,053	123,161	(58,108)
Road signs	300	300	628	(328)
Debt service			46,375	(46,375)
Miscellaneous			932	(932)
	<u>65,353</u>	<u>65,353</u>	<u>171,096</u>	<u>(105,743)</u>
<b>Total expenditures</b>				
	<u>65,353</u>	<u>65,353</u>	<u>171,096</u>	<u>(105,743)</u>
<b>Excess of revenues over (under) expenditures</b>			(101,479)	101,479
<b>Other financing sources- note proceeds</b>			123,161	(123,161)
	<u>        </u>	<u>        </u>	<u>123,161</u>	<u>(123,161)</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$ 21,682</u>	<u>\$ (21,682)</u>

## **SUPPLEMENTAL INFORMATION**

**NEGAUNEE TOWNSHIP**

**SUPPLEMENTAL INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2005**

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Debt Service Fund</u>	<u>Total</u>
	<u>Liquor</u>	<u>Brownfield</u>	<u>Projects</u>	<u>Special</u>	<u>Non-Major</u>
				<u>Assessment</u>	<u>Governmental</u>
					<u>Funds</u>
<b>Assets</b>					
Cash on hand and in bank	\$ 297	\$ 21,969	\$	\$ 51,337	\$ 73,603
Due from other governmental units				1,766	1,766
Due from other funds			22,634		22,634
<b>Total assets</b>	<u>\$ 297</u>	<u>\$ 21,969</u>	<u>\$ 22,634</u>	<u>\$ 53,103</u>	<u>\$ 98,003</u>
<b>Liabilities and fund balances</b>					
Liabilities-Due to other funds	\$	\$ 541	\$	\$ 5,191	\$ 5,732
Fund balance					
Reserved	297	21,428	22,634	47,912	92,271
<b>Total liabilities and fund balances</b>	<u>\$ 297</u>	<u>\$ 21,969</u>	<u>\$ 22,634</u>	<u>\$ 53,103</u>	<u>\$ 98,003</u>

**NEGAUNEE TOWNSHIP**

**SUPPLEMENTAL INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Debt Service Fund Special Assessment</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Liquor</u>	<u>Brownfield</u>			
<b>Revenues</b>					
Taxes and penalties	\$	\$ 14,925	\$	\$	\$ 14,925
State grants	508				508
Interest and rentals		38		384	422
Other revenue				21,362	21,362
<b>Total revenues</b>	<u>508</u>	<u>14,963</u>		<u>21,746</u>	<u>37,217</u>
<b>Expenditures</b>					
Current					525
Public safety	525				598
Community/economic development		598		31,138	31,138
Debt service					
<b>Total expenditures</b>	<u>525</u>	<u>598</u>		<u>31,138</u>	<u>32,261</u>
<b>Net change in fund balances</b>	(17)	14,365		(9,392)	4,956
<b>Fund balance - April 1, 2004</b>	<u>314</u>	<u>7,063</u>	<u>22,634</u>	<u>57,304</u>	<u>87,315</u>
<b>Fund balance - March 31, 2005</b>	<u>\$ 297</u>	<u>\$ 21,428</u>	<u>\$ 22,634</u>	<u>\$ 47,912</u>	<u>\$ 92,271</u>

**COWELL & LaPOINTE, PC**

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 309

MARQUETTE, MICHIGAN 49855

906-228-5150

MEMBER OF: THE AMERICAN INSTITUTE AND THE MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Negaunee Township  
Marquette County, Michigan

We have audited the financial statements of Negaunee Township, for the year ended March 31, 2005 and have issued our report thereon June 22, 2005. Professional standards require that we provide you with following information related to our audit.

**OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

As stated in our engagement letter dated March 23, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Negaunee Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**SIGNIFICANT ACCOUNTING POLICIES**

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Negaunee Township are described in Note A to the financial statements.

**ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

### **SIGNIFICANT AUDIT ADJUSTMENTS**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Negaunee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

### **DISAGREEMENTS WITH MANAGEMENT**

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Negaunee Township's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Negaunee Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,

*Cowell & LaPointe PC*  
Certified Public Accountants

June 22, 2005



**COWELL & LaPOINTE, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees  
Negaunee Township  
Marquette County, Michigan

**MANAGEMENT LETTER ON ANNUAL REPORT**

In connection with the examination of the financial statements of Negaunee Township for the year ended March 31, 2005, we submit the following comments and recommendations:

**SICK AND VACATION LEAVE**

The examination of sick and vacation leave records indicated differences between the records kept on QuickBooks and the records kept on the Excel spreadsheets. It appears the Excel records are the records being followed. However, some of those records were inaccurate.

We suggest that you reconcile the QuickBooks and Excel records on a regular basis to provide better accuracy of the sick and vacation leave.

**CASH RECEIPTS**

A review of cash receipts indicated incorrect account number classifications. When the Treasurer issues triplicate cash receipts the accounts and account numbers should be indicated on the receipt. It should follow the current chart of accounts listing which would be available from the Clerk. This will enable the Clerk to classify the receipt properly.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

*Cowell & LaPointe PC*  
Certified Public Accountants

June 22, 2005